

 **05hr_ab0145_AC-Ag_pt01**



Details:

(FORM UPDATED: 07/12/2010)

**WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS**

2005-06

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on ... Agriculture (AC-Ag)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**
- Record of Comm. Proceedings ... **RCP**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt**
- Clearinghouse Rules ... **CRule**
- Hearing Records ... bills and resolutions
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution)
 - (**ajr** = Assembly Joint Resolution)
 - (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Vote Record Committee on Agriculture

Date: 3/3/05

Moved by: Nerison

Seconded by: Gronemus

AB 145

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

A/S Amdt _____

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage
 Adoption
 Confirmation
 Concurrence
 Indefinite Postponement
 Introduction
 Rejection
 Tabling
 Nonconcurrency

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative J.A. Hines	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Scott Suder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gabe Loeffelholz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Debra Towns	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Barbara Gronemus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Christine Sinicki	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Joseph Parisi	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>14</u>	<u>-</u>	<u>1</u>	<u> </u>

Motion Carried

Motion Failed

Vote Record Committee on Agriculture

Date: 3/3/05

Moved by: Nerison

Seconded by: Vruwink

AB 145 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt LRB-0033
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:
 Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative J.A. Hines	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Scott Suder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gabe Loeffelholz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Debra Towns	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Barbara Gronemus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Christine Sinicki	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Joseph Parisi	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>14</u>	<u>-</u>	<u>1</u>	<u> </u>

Motion Carried

Motion Failed

Vote Record Committee on Agriculture

Date: 3/3/05

Moved by: Nerison

Seconded by: Vruwink

AB 145 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt LRB-0033
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative J.A. Hines	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Scott Suder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gabe Loeffelholz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Debra Towns	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Barbara Gronemus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Christine Sinicki	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Joseph Parisi	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>14</u>	<u>-</u>	<u>1</u>	<u> </u>

Motion Carried

Motion Failed





Wisconsin Federation of Cooperatives

131 West Wilson Street, Suite 400 • Madison, WI 53703-3269
Phone 608.258.4400 • Fax 608.258.4407 • www.wfcmac.coop

TESTIMONY OF BILL OEMICHEN IN SUPPORT OF AB 125 AND AB 145 BEFORE ASSEMBLY COMMITTEE ON AGRICULTURE MARCH 3, 2005

Thank you for allowing the Wisconsin Federation of Cooperatives to testify in support of both Assembly Bill 125 and Assembly Bill 145.

Assembly Bill 125. Assembly Bill 125 simply reflects legislative intent of 2003 Wisconsin Act 135, which created the dairy investment tax credit (DITC) for certain expenses related to modernization of dairy facilities and equipment. As the organization that focused on the creation of the DITC as one of our top legislative agenda items in 2003-2004, WFC worked closely with this committee, DATCP, DOR, other organizations and individuals as we urged support for then Assembly Bill 283. After our successful effort, DOR raised questions it felt needed additional clarification. Chairman Ott, we and others worked with DOR to advance language in administrative rule Tax 2.99 that was aimed at addressing the questions that DOR was raising. Now AB 125 is before you to place in law the guidelines already written into rule. The bill clarifies that the DITC applies to property and equipment that is acquired and placed in service in this state during taxable years that began January 1, 2004 and end December 31, 2009. In addition, AB 125 states that “used exclusively” means used to the exclusion to all other uses except for other use not exceeding 5 percent of total use. This is the same language that DOR uses in its sales and use tax law.

Assembly Bill 145. We also support Assembly Bill 145 as the logical next step from the creation last session of the dairy investment tax credit (DITC). While no comprehensive data will be available for awhile on the level of “participation” in the DITC, I know that many of our members and others are taking advantage of it, some to the full measure allowed in the law. We are optimistic that the DITC will help strengthen our dairy industry through modernization of many dairy producers’ facilities and equipment, thereby bringing more efficiency to these operations and a greater chance that they will be a part of Wisconsin’s dairying future.

One example of the benefit the DITC is bringing to the state can be seen in the following example of a modernizing dairy operation in South Central Wisconsin. This operation has made \$420,000 in improvements by, in part, modernizing three existing farm buildings that will allow for the addition of 125 cows. The new buildings are adding to the farm’s property value and property taxes. The producer expects the improvements will generate approximately \$3,000 in additional new property taxes per year. Furthermore, \$5,500 in sales taxes have been paid on the building materials. Finally, the producer has added at least \$100,000 in payroll for the first year for three new employees. This payroll increase is anticipated to yield \$6,750 in new state income taxes. The total increase in taxes in year one is approximately \$15,250 and, the producer is only planning to take a \$5,000 tax credit this year. Furthermore, nearly \$10,000 is being generated in additional annual tax payments. All told, the DITC is generating the increased investment that will more than offset the amount of the credit; the state treasury and the people of Wisconsin are surely benefiting from the DITC.

A second example yields similar positive financial results. A second Southern Wisconsin Dane County farm added a new Boumatic Double 13 milking parlor from a flat barn parlor. This change is projected to lead to an increase in annual milk sales of \$73,000 and a possible additional \$90,000, the latter amount if they go to three times per day milking. The total improvements cost \$620,000 and the resulting increase in property and income taxes, as well as sales taxes, are anticipated to more than offset the amount of tax credit taken. Beyond the financial impact, the DITC has led to use of modern technology and improved management, thereby making our state more competitive. Here too, the new investment is leading to increase sales and property taxes.

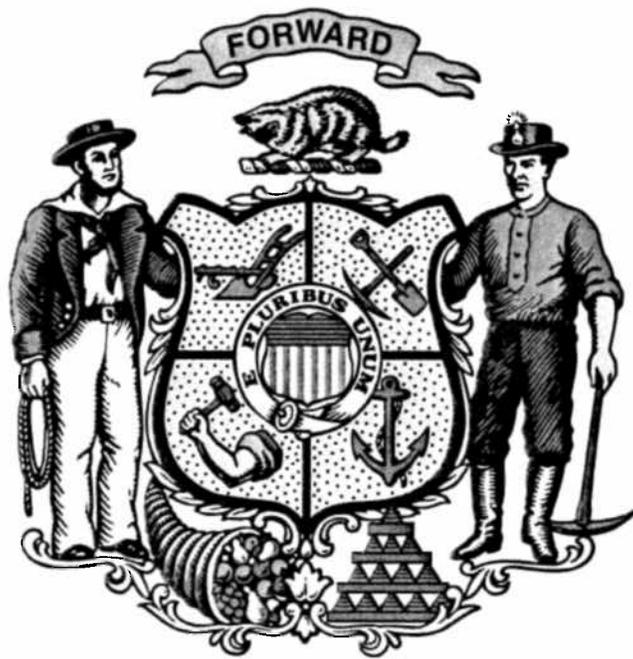
Cows do not qualify for the credit. However, I will note that the University of Wisconsin-Madison estimates that each new cow generates approximately \$515 in new state and local taxes per year, as well as \$15,000 to \$17,000 to the state's level of economic activity. In the first example I used, the 125 new cows would yield an estimated \$63,375 in new state and local taxes, as well as \$1,875,000 in local economic impact. Said another way, for every dollar a dairy producer generates, the dairy producers creates \$6 of input into the local economy.

Recently the Grow Wisconsin Livestock Initiative Panel endorsed the expansion of the DITC to livestock producers and fish farmers. Two WFC members, Equity Cooperative Livestock Sales Association and Badgerland Farm Credit Services, both headquartered at Baraboo, are represented on this panel. The panel contains a cross-section of Wisconsin's livestock and meat industry. The predecessor group to this panel, the DATCP "Livestock Industry Task Force," made a specific recommendation in this policy area when they issued their final report in January of 2004. They indicated their support for an ITC on "capital expenses for sow farrowing/feeder pig operations and cattle back-grounding, stocking and finishing operations."

Among the major challenges identified in the 2004 DATCP task force report is that "there has been limited reinvestment in livestock operations at the producer level in Wisconsin." Yet 2003 Wisconsin Agricultural Statistic Service data is that sales of cattle and calves accounted for 14 percent of all farm cash receipts, at \$745 million. Sale of hogs added \$93 million to the total. Growth has occurred in beef operations from 1992 to 2002, largely due to conversion from dairy to beef among some farming operations. The number of cattle on feed demonstrated "modest growth" between 1980 and 2002. The majority of fed cattle are on feedlots with an average yearly marketing of 38 head and the number of feedlots has declined from 1997 to 2002, according to USDA, National Agricultural Statistics Service (NASS) numbers. The same source pointed to two decades of steep decline in the number of swine operations and inventory between 1980 and 2002.

The 2002 DATCP task force report pointed to numerous advantages Wisconsin offers for livestock production such as our livestock genetics, feed production and proximity to consumer markets. By the addition of an investment tax credit such as proposed in AB 145, we will help ensure that our animal agriculture remains diverse and grows stronger as we provide producers another reason to modernize their facilities and improve their competitiveness with other regions.

Thank you for your attention to my remarks on behalf of the Wisconsin Federation of Cooperatives in support of AB 125 and 145.





LEE NERISON

96TH ASSEMBLY DISTRICT

March 3, 2005

Comments of Representative Lee Nerison
Assembly Bill 145, Livestock Investment Tax Credits
Assembly Agriculture Committee

Chairman Ott and committee members:

Capitol:

Post Office Box 8953

Madison, WI 53708-8953

(608) 266-3534

Toll-Free: (888) 534-0096

Fax: (608) 282-3696

Rep.Nerison@legis.state.wi.us

District:

S3035 CTH B

Westby, WI 54667

(608) 634-4562

Good morning. Today I'm asking you to join me in helping to keep Wisconsin's agriculture industry vibrant. This bill creates tax incentives to livestock producers for modernizing and improving to their farms.

Just as important, the benefits of everything that we do to improve the farm economy are magnified throughout the rural economy. Growth is good for our small communities.

This idea builds on the Dairy Investment Tax Credits legislation that received overwhelming bipartisan support last session. It also makes technical changes to the dairy tax investment law by clarifying that the credit applies only to improvements that are *acquired and placed in service in this state* and it better defines the term "used exclusively."

As an incentive to go ahead with improvements that a farmer might be thinking about, the bill creates income and franchise tax credits that are equal to 10 percent of the amount a farmer paid in the taxable year to modernize or expand their livestock farm, up to \$50,000.

The credit applies to taxable years 2005 – 2010.

The total amount of credit per farm is capped at \$50,000.

Partners and members of limited liability companies, and shareholders of tax-option corporations may also claim the credit in proportion to their ownership.

Qualified investments include structures for birthing, rearing, and feedlots. Equipment for storing and handling feed, manure, and energy is included. Also fences, watering facilities, and scales. Aquaculture facilities could also participate.

Livestock includes domestic animals like cattle, swine, poultry, fish, sheep and goats.

While dairy will always be king in Wisconsin, livestock is a huge component of our ag. industry. The total cash receipts from the sale of cattle and calves was \$711 million in 2003. Hogs were at \$106 million. This is definitely a side of agriculture that the Dairy State should not forget. This bill is a natural progression from last session's dairy-only bill.

The livestock part of the industry is substantial enough that new growth will also make a big difference to rural economies.

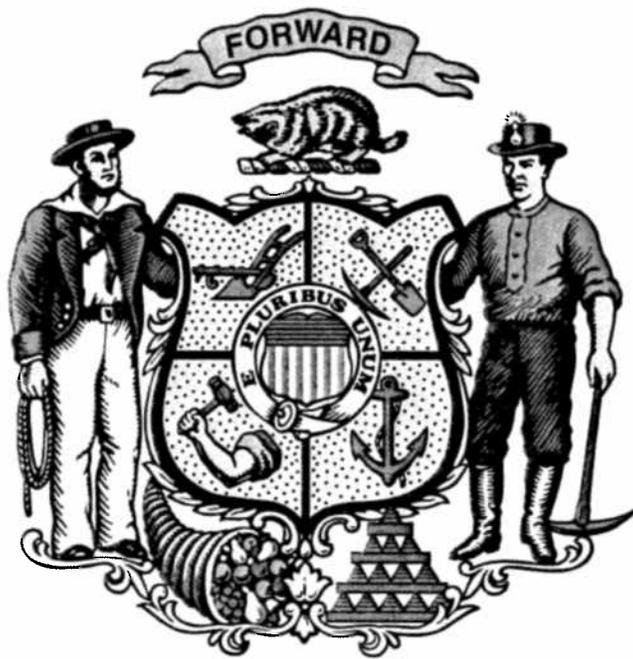
New growth also means that more tax money is generated down the line, which minimizes the fiscal impact of this bill. Frankly, a lot of the livestock investment spending that will happen after passage is spending that otherwise would not have happened, and tax money that the state may not have taken in anyway.

Finally, this bill is not designed to turn small farms into mega-farms. It is my hope that farms of all sizes will participate and do what makes sense for their own situations. My philosophy as a legislator will not be to tell people how big or small their farms should be. Being a farmer I know that we don't always like being told. It's up to the operator to decide and choose the type of operation and lifestyle that suits them.

I do have a substitute amendment drafted that we can talk about a little more in executive session. Very briefly, the substitute clarifies that a person can be eligible for both livestock and dairy credits during the years that both are offered, up to \$50,000. It also tightens up the definition of livestock.

So I hope that you'll join us in helping modernize Wisconsin's livestock industry so that we stay competitive and for the sake of rural economic development.

Thank you.





WISCONSIN FARM BUREAU® MEMO

TO: MEMBERS OF THE ASSEMBLY AGRICULTURE COMMITTEE
FROM: PAUL ZIMMERMAN
EXECUTIVE DIRECTOR OF GOVERNMENTAL RELATIONS
SUBJECT: SUPPORT AB 145
DATE: MARCH 3, 2005

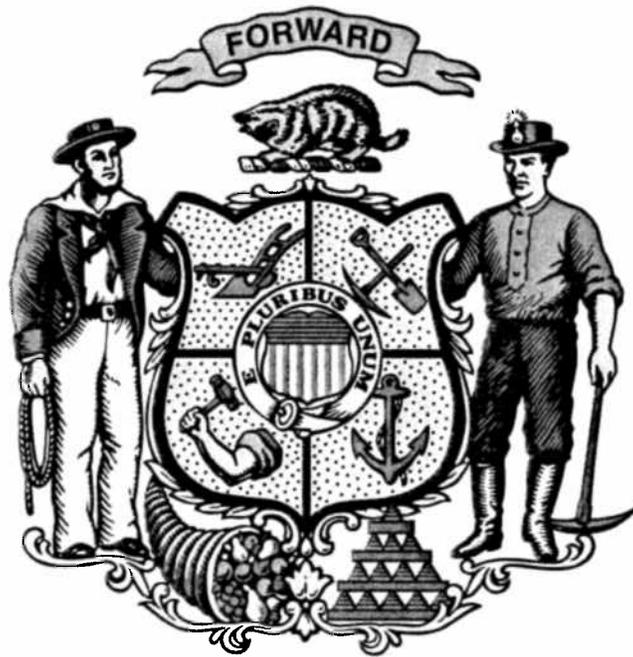
On behalf of the members of the Wisconsin Farm Bureau Federation, I wish to express our support for AB 145, which creates an investment tax credit for the modernization of livestock farms.

Last session, similar legislation was enacted into law for the dairy industry. WFBF is pleased to see the expansion of this credit to the livestock industry.

WFBF member policy states, "We support establishing a state investment tax credit for agricultural facilities and equipment." AB 145 is another step towards achieving this goal.

WFBF encourages the committee to consider extending the investment tax credit to more of production agriculture. WFBF fully realizes the state's economic situation and is willing to work with the committee to see if AB 145 can be extended to more of production agriculture.

Thank you for your time and consideration. If you have any questions or comments, please contact me at 608-828-5708.





State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
PHONE (608) 266-6466 • FAX (608) 266-5718 • <http://www.dor.state.wi.us>

Jim Doyle
Governor

Michael L. Morgan
Secretary of Revenue

Assembly Agriculture Committee Hearing, March 3, 2005

AB 145 – Farm Modernization Credit to Include Livestock (Rep. Nerison)

Description of Current Law and Proposed Change

2003 Wisconsin Act 135 created a nonrefundable dairy investment credit for 10% of certain expenditures for modernization and expansion related to the operation of a dairy farm. AB 145 would create a similar credit for 10% of certain expenses used exclusively for modernization or expansion related to the operation of a claimant's livestock farm. The aggregate amount of credit that a taxpayer could claim is \$50,000 for expenses to construct, improve and acquire buildings, facilities and equipment for use in livestock housing, confinement, feeding and waste management.

The bill would also clarify that the dairy investment credit applies to property and equipment that are acquired and placed in service in this state during taxable years that begin after December 31, 2003, and before January 1, 2010 and that "used exclusively" means used to the exclusion of all other uses except for other use not exceeding five percent of total use.

Fairness/Tax Equity

- The bill extends the investment credit under current law for dairy farms to other livestock farms.

Impact on Economic Development

- The credit would encourage investment in modernization and expansion of livestock farms, potentially increasing the efficiency and competitiveness of Wisconsin livestock farmers.

Administrative Impact/Fiscal Effect

- Based on information from the individual and corporate income tax samples compiled by the department, the estimated fiscal effect would be to reduce revenues by \$1.9 million annually.

DOR Position

- Support if amended to clarify: (1) computation of credit when farm is owned by more than one person; (2) what animals are covered by the credit; and (3) treatment of farms that make improvements serving both dairy and livestock purposes.

Prepared by: Pam Walgren, 266-7817

March 3, 2005

PW:skr

L:\session 05-07\hearings\pw\ab145.doc



Assembly Agriculture Committee
March 3, 2005
Assembly Bill 145
Livestock Investment Tax Credit

Terry Quam – Wisconsin Cattlemen’s Association (In Favor)

- 12,500 beef farms in Wisconsin.
- Between 1999 and 2004, cattle numbers grew from 210,000 to 245,000.
- Between 2003 and 2004, heifer numbers grew from 40,000 to 70,000.
- We have a top-notch processing infrastructure in this state, but we need provide more in-state cattle to our processors in order to keep them here. 100,000 head were brought in from out of state for processing last year.
- Fencing is a very important issue to this industry. Especially for those operations making the transition from dairy to beef.
- The dairy and beef industry are partners.

John Lader – Wisconsin Pork Association (In Favor)

- This credit would be especially important for pork producers. The pork industry has steadily declined in Wisconsin.
- The producers who are left will take advantage of this opportunity to help them stay viable.
- The credit could also be helpful in making improvements to meet environmental standards.

Tom Lochner – Wisconsin Cranberry Growers Association (In Favor)

- Cranberries are the state’s biggest fruit crop. Accounts for 50% of nation’s production.
- Cranberries generate \$330 million in state economic activity.
- Would like to see this credit expanded to non-livestock agriculture.
- Provide opportunity to maintain competitiveness by investing in efficiency measures.
- Ex.: Harvest cleaning facilities, investing in new varieties, irrigation system upgrades.
- Promote diversity in Wisconsin agriculture.

Paul Zimmerman – Wisconsin Farm Bureau Federation (In Favor)

- Supports this bill, but wants to keep the dialogue open for extending the credit to other types of agriculture.



Assembly Republican Majority Bill Summary

CONTACT: Erin Napralla, Office of Rep. Al Ott

AB 145: Livestock Investment Tax Credit

Relating to: creating an income and franchise tax credit for livestock farm modernization or expansion.

By Representatives Nerison, Gronemus, Ott, Gard, Vruwink, Ainsworth, Towns, Loeffelholz, Suder, Kestell, Albers, Ballweg, Davis, Freese, Gunderson, Hahn, Krawczyk, McCormick, Musser, Hundertmark, Owens, Pettis and Townsend; cosponsored by Senators Kapanke, Erpenbach, A. Lasee and Roessler.

Date: March 16, 2005

BACKGROUND

2003 Wisconsin Agricultural Statistic Service data show sales of cattle and calves in the state accounted for 14 percent of all farm cash receipts, at \$745 million. The sale of hogs added another \$93 million. Modest growth occurred in beef operations from 1992-2002 due largely to the conversion from dairy to beef among some farming operations. The hog industry has seen two decades of steep declines in both the number of operations and animal inventory.

Wisconsin ranks 5th nationally in total number of cattle slaughtered, but the processing industry needs more locally raised animals in order to maintain its competitiveness. Currently, about 30 percent of cows and 80 percent of steers processed in Wisconsin are brought in from out of state.

Under current law, for taxable years 2004 through 2009, a person may claim a state income or franchise tax credit equal to 10 percent of the amount the person paid in the taxable year for dairy farm modernization or expansion. Dairy farm modernization or expansion is defined as the construction, the improvement, or the acquisition of buildings or facilities, or the acquisition of equipment, for dairy animal housing, confinement, animal feeding, milk production, or waste management, if used exclusively related to dairy animals. The term "used exclusively" is not defined.

SUMMARY OF AB 145 (AS AMENDED BY COMMITTEE)

Assembly Bill 145 expands the Wisconsin Dairy Investment Tax Credit to livestock operations. The bill creates a state income and franchise tax credit equal to 10 percent of the amount a claimant paid for eligible expenses associated with modernizing or expanding a livestock operation. The credit applies to property and equipment that is acquired and placed in service in this state during taxable years 2005 to 2010. The total amount of credit per claimant is capped at \$50,000 for both dairy and livestock operations. The credit may be carried forward for up to 15 years, but is not refundable. Individuals are eligible, but partners, members of limited liability companies, and shareholders of tax-option corporations may also claim the credit in proportion to their ownership interest.

Livestock farm modernization would include, but would not be limited to, the following if used exclusively related to livestock: expenditures for birthing structures, rearing structures, feedlot structures, feed storage and handling equipment, fences, watering facilities, scales, manure pumping and storage facilities, digesters, equipment to produce energy, fish hatchery and buildings on fish farms, fish processing buildings on fish farms and fish rearing ponds on fish farms.

Under the bill, “livestock” means cattle, not including dairy animals; swine; poultry, not including farm-raised game birds or ratites; fish that are raised in aquaculture facilities; sheep; and goats.

In addition, “used exclusively” is defined in the bill to mean property or equipment that is used relative to the operation at least 95% of the time. The bill also specifies that in the case of multiple owner-operators of a dairy or livestock farm or a combination thereof, the entity – in total – is eligible for a credit up to \$50,000. That amount is then allocated to the owner-operators in proportion to their ownership interests.

Assembly Bill 145 also clarifies that the dairy investment tax credit applies only to property and equipment that is acquired and placed in service in this state during taxable years 2004 through 2009.

AMENDMENTS

Assembly Substitute Amendment 1 to Assembly Bill 145 clarifies the definition of “livestock” to mean cattle, not including dairy animals; swine; poultry, not including farm-raised game birds or ratites; fish that are raised in aquaculture facilities; sheep; and goats. The amendment also clarifies that from taxable years 2005 to 2009, a claimant can claim the credit for both dairy and livestock operations up to a total of \$50,000. Finally, the amendment clarifies how the credit is to be claimed in the case of multiple owner-operators. The amendment specifies that the operation, in total, can claim up to \$50,000 in credit, with that amount allocated to the owner-operators in proportion to the ownership interests [adopted 14-0-1 (Rep. Sinicki was absent)].

FISCAL EFFECT

A fiscal estimate prepared by the Department of Revenue indicates a \$1.9 million annual decrease in existing revenue. The department also estimates an increased cost to administer the credit, but did not provide an estimate of those costs. The actual fiscal impact will vary depending on number of participants and extent of investment made. The fiscal note does not address the potential increase in revenue (sales tax) due to investment, or the potential increase in income tax revenues due to enhanced profitability once modernization is completed.

PROS

1. Assembly Bill 145 would provide a boost to Wisconsin’s livestock industry by encouraging investment in modernization to stay competitive in the global market and sustain our state’s meat processing infrastructure.
2. Assembly Bill 145 is size neutral. Livestock operations of any size would be eligible for the credit.
3. Producers who choose to invest in modernization to increase the profitability of their operations will ultimately generate more state tax revenue.
4. The credits created by Assembly Bill 145 may be applied to structures and technologies to improve manure management. Encouraging that type of investment is timely because recent fish kills in Southern Wisconsin have heightened awareness of the need to store and properly apply manure.

CONS

1. There would be a short-term decrease in state income and franchise tax revenue for the state.

2. Some agricultural organizations feel this credit should not be so limited in scope and be extended to non-animal agriculture sectors.

SUPPORTERS

Rep. Lee Nerison, author; Sen. Dan Kapanke, lead co-sponsor; Will Hughes, Wisconsin Department of Agriculture, Trade & Consumer Protection; Sherrie Gates-Hendrix, Wisconsin Department of Revenue; Terry Quam, Wisconsin Cattlemen's Association; John Lader, Wisconsin Pork Association; Bill Oemichen, Wisconsin Federation of Cooperatives; Tom Lochner, Wisconsin State Cranberry Growers Association; Paul Zimmerman, Wisconsin Farm Bureau Federation; Rep. Joan Ballweg, 41st Assembly District; Ferron Havens, Wisconsin Agribusiness Council; Kathleen Vinehout, Wisconsin Farmers Union; Jordan Lamb, Wisconsin Potato & Vegetable Growers Association and Wisconsin Soybean Association; Christopher Sosnay, Wisconsin Bankers Association; Deane Thomas, Wisconsin Cattlemen's Association; Nancy Thomas, Wisconsin Cattlemen's Association.

OPPOSITION

No one registered or testified in opposition to Assembly Bill 145.

HISTORY

Assembly Bill 145 was introduced on February 28, 2005, and referred to the Assembly Committee on Agriculture. A public hearing was held on March 3, 2005. On March 3, 2005, the Committee voted 14-0-1 [Rep. Sinicki was absent] to recommend passage of AB 145 as amended.



Date ?

Wisconsin Pork Association
P.O. Box 327 Lancaster, WI 53813
Phone: 608-723-7551

Representative Ott and members of the Committee, thank you for allowing me to testify today. My name is John Lader. I am a pork producer from Janesville and I am testifying in **support of Assembly Bill 145** on behalf of the Wisconsin Pork Association.

The Wisconsin Pork Association appreciates the Legislature's commitment to helping support Wisconsin agriculture. Farming is not only a career, but a way of life for many Wisconsin citizens. Last year, both domestic and export demand for pork were very strong and U.S. hog prices averaged about one-third higher than they were in 2003.¹ We would like to keep our industry strong and growing.

The WPA believes that expanding the dairy investment tax credit to all Wisconsin livestock producers will help continue this growth. AB 145 will provide Wisconsin pork producers with increased resources to expand and modernize their operations. Modernization is not only needed to keep our farms economically viable. Modernization is needed to update our farms to meet new environmental standards.

We anticipate that pork producers would use this tax credit to invest in buildings for farrowing, nursery pigs and growing pigs, as well as feed structures and manure storage facilities.

Thank you Representative Nerison for introducing AB 145 and continuing the Legislature's commitment to Wisconsin farmers.

¹ *Status of Wisconsin Agriculture, 2005*, Dept. of Agriculture and Applied Economics, College of Agricultural and Life Sciences, University of Wisconsin-Madison, January 2005, pg. 20.

New Low for Wisconsin Hog Inventory

Wisconsin's hog inventory as of December 1, 2004, is estimated at 430,000 head, a 50,000 head reduction compared to last year and 10,000 head fewer than September. Both market hogs, at 380,000 head, and breeding hogs, at 50,000 head, declined from last year. Compared to one year ago, all weight categories of market hogs decreased with the most striking decline in hogs under 60 pounds. Market hogs under 60 pounds, at 135,000 head, dropped 30,000 from the same time last year and accounted for 60% of the overall reduction in Wisconsin's hog inventory.

The overall hog inventory declined for the fourth consecutive year and has fallen nine of the last ten years. Presently, the state's farmers account for less than 1 percent of the national inventory, ranking 17th.

The September-November 2004 pig crop totaled 220,000 head, 3 percent less than the same quarter a year ago. Sows farrowing during the quarter totaled 25,000 head, a 1,000 head decline from last year. Average pigs per litter, estimated at 8.80, increased 0.10 from last year. Wisconsin's hog producers intend to have 23,000 sows farrow for each of the next two quarters stretching from December 2004 through May 2005.

Hogs and Pigs on Farms, December 1

Selected states	Breeding 2004	Change 2004/03	Market 2004	Change 2004/03	Total hogs 2004	Change 2004/03
	1,000 head	Percent	1,000 head	Percent	1,000 head	Percent
Wisconsin	50	-9	380	-11	430	-10
Illinois	420	+2	3,580	n.c.	4,000	n.c.
Indiana	290	-3	2,860	+2	3,150	+2
Iowa	1,070	+1	15,030	+1	16,100	+1
Michigan	110	n.c.	830	-1	940	-1
Minnesota	600	n.c.	5,900	n.c.	6,500	n.c.
N. Carolina	1,020	n.c.	8,780	-2	9,800	-2
U.S.	5,969	-1	54,531	n.c.	60,501	n.c.

Source: Wisconsin Agricultural Statistics Service

Sows Farrowing and Pig Crop, September - November

Selected states	Sows farrowing 2004	Change 2004/03	Litter rate 2004	Pig crop 2004	Change 2004/03
	1,000 head	Percent	Number	1,000 head	Percent
Wisconsin	25	-4	8.80	220	-3
Illinois	205	n.c.	8.85	1,814	n.c.
Indiana	135	-7	8.85	1,195	-7
Iowa	450	+2	8.90	4,005	+3
Michigan	44	-14	9.20	405	-10
Minnesota	280	n.c.	9.10	2,548	+1
N. Carolina	540	n.c.	9.00	4,860	-1
U.S.	2,852	n.c.	8.96	25,558	n.c.

Source: Wisconsin Agricultural Statistics Service

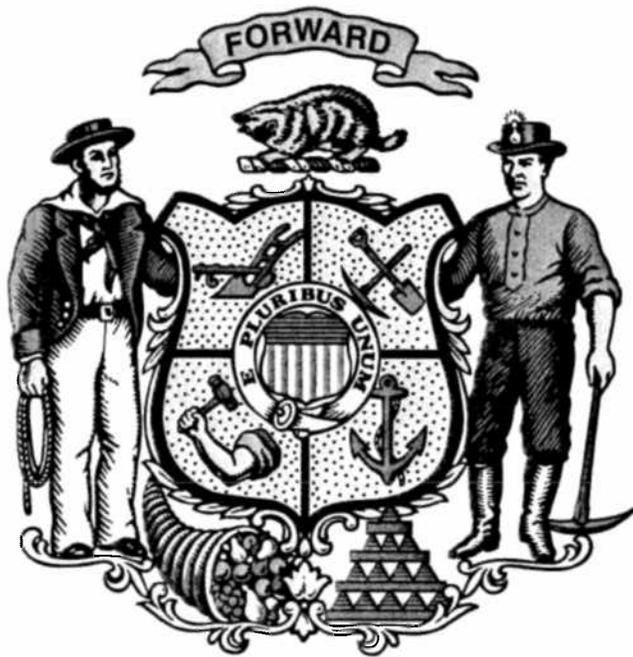
The U.S. inventory of all hogs and pigs on December 1, 2004, was 60.5 million head, up fractionally from December 2003, but 1 percent below September 1, 2004. Breeding inventory, at 5.97 million head, was down 1 percent from last December, but up slightly from last quarter. Market hog inventory at 54.5 million head, was up slightly from last year, but 2 percent below last quarter's estimate.

The September-November 2004 U.S. pig crop, at 25.6 million head, was incrementally higher than 2003 and 2 percent above 2002. Sows farrowing during this period totaled 2.85 million head, a minor decrease compared to last year. Sows farrowed during this quarter represented 48 percent of the breeding herd. Saved pigs per litter averaged 8.96 for the September-November 2004 quarter, compared to 8.93 pigs the previous year. Average pigs saved per litter by size of operation ranged from 7.50 for operations with 1-99 hogs to 9.10 for operations with more than 5,000 hogs and pigs. U.S. producers plan to farrow 1 percent more sows during the December 2004-February 2005 quarter compared to the same quarter a year earlier. Farrowing intentions for the March-May 2005 quarter are slightly below the same period in 2004.

Farrowing Intentions

Selected states	Dec. 2004 - Feb. 2005	Change 2005/2004	March-May 2005	Change 2005/2004
	1,000 head	Percent	1,000 head	Percent
Wisconsin	23	-4	23	-12
Illinois	205	n.c.	205	-5
Indiana	135	-7	135	n.c.
Iowa	440	+7	440	+2
Michigan	48	+7	51	+16
Minnesota	285	n.c.	285	-2
N. Carolina	540	-2	540	-2
U.S.	2,855	+1	2,868	n.c.

Source: Wisconsin Agricultural Statistics Service



Testimony in Support of AB 145

Date ?

Will Hughes, Administrator
Division of Agricultural Development
Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP)

Chairman Ott and members of the Committee on Agriculture thank you for allowing me to testify in support of AB 145. I am Will Hughes, Administrator of DATCP's Division of Agricultural Development, representing Secretary Nilsestuen and DATCP.

Wisconsin is in the process of revitalizing its \$51.5 billion agriculture sector including our important dairy and livestock sectors which make up over two-thirds of our agricultural base. The Governor, the Secretary and the Legislature have recognized the importance of strengthening agriculture through a variety of proactive measures including dairy investment tax credits, siting legislation, premise identification, health care cooperatives and more. There is a lot more to do.

Wisconsin farmers need help retooling current operations and building new facilities and operations so that they have the best possible chances of competing in the tough economic environment of agriculture. Part of this effort requires a managerial mindset and a focus on keeping the business environment attractive to future owners and operators of Wisconsin farms. An important aspect of being competitive is the reinvestment of capital into modernized facilities that will afford farmers a good chance of success and a good future.

AB 145 extends the 10 percent dairy investment tax credit to traditional livestock farms including fish farms. One important purpose of the tax credit is to spur reinvestment and modernization. Wisconsin needed actions to stimulate dairy modernization in part because our cheese and dairy manufacturing operations need more milk in order for them to keep reinvesting here. The other purpose is to help farms become more profitable and grow.

Wisconsin is blessed with having abundant forage and expanding grain and distillers grain. This positions our state to add more value to land resources through dairy and livestock operations. A strong dairy and livestock sector is important to all of agriculture and to the entire state economy.

Our livestock processing sector ranks 3rd in processed meats and fifth in total cattle slaughter in the US and it also needs more animals raised locally in order to maintain its competitiveness. Currently approximately 30 percent of the cows and 80 percent of steers are brought in from out of state.

Recognizing that more attention was needed on how to boost the livestock economy, Secretary Nilsestuen formed a Livestock Industry Task Force in June 2003. The Livestock Task Force members were comprised of a balance of livestock farmers,

processors and associated industry support people. The Task Force made its recommendations to the Secretary in January 2004 with the conclusion that there are excellent opportunities for growth and increased profitability.

Among its priority recommendations were to create an environment that encourages long term investment in the livestock industry to bring about modernization, expansion and increased participation. Also recommended is to promote the use of available pastureland for livestock grazing.

In response to the task force's recommendation to provide an on going forum for carrying forward activities that support and add value to Wisconsin's livestock and meat industries, Secretary Nilsestuen appointed the Grow Wisconsin Livestock Initiative Panel. This panel is meeting quarterly to keep a focus on livestock and meat issues. This panel has endorsed extension of the dairy investment tax credit to all livestock.

Governor Doyle has included this important Grow Wisconsin measure in his 2005-07 Biennial Budget. AB 145 is bringing additional legislative support for this bipartisan effort.

DATCP with input of the Grow Wisconsin Livestock Panel is working with the Department of Commerce and UW Extension to bring additional tools to the tool kit for growing dairy and livestock.

If we are to keep farmers on the land we need to take steps now to send the right message and incentive that helps them modernize, grow and be profitable. Our future depends on measures like AB 145 to realize a strong and growing Wisconsin.

Thank you for your time and attention. I encourage you to approve AB 145.